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FM SECSTATE WASHDC

TO AMEMBASSY KIGALI PRIORITY

INFO RWANDA COLLECTIVE PRIORITY

C O N F I D E N T I A L STATE 240375

E.O. 12356: DECL: OADR

TAGS: PREL, PHUM, EAID, EFIN, IMF, IBRD, RW

SUBJECT: A/S MOOSE MEETS WITH RWANDAN FINANCE MINISTER

1. CONFIDENTIAL - ENTIRE TEXT.

SUMMARY

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2. IN A MEETING WITH A/S MOOSE SEPTEMBER 1, RWANDAN FINANCE MINISTER MARC RUGENERA THANKED THE U.S. FOR HUMANITARIAN ASSISTANCE PROVIDED TO DATE BUT STRESSED THE NEED FOR AN URGENT INFUSION OF AID TO REBUILD HIS COUNTRY'S INFRASTRUCTURE AND CIVIL ADMINISTRATION. RUGENERA IS THE FIRST OFFICIAL FROM THE NEW GOVERNMENT TO VISIT THE UNITED STATES. A/S MOOSE URGED RUGENERA TO SEEK ASSISTANCE FROM INTERNATIONAL FINANCIAL INSTITUTIONS AND TO EXPLORE OPTIONS FOR RECOVERING FUNDS FROM THE FORMER REGIME'S OVERSEAS BANK ACCOUNTS. MOOSE ALSO SAID HE WOULD DISCUSS RWANDA'S ASSISTANCE NEEDS WITH AID ASSISTANT ADMINISTRATOR HICKS WHEN HE RETURNS FROM A TRIP TO CENTRAL AFRICA.

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3. MOOSE EMPHASIZED THAT OUR ABILITY TO RESPOND TO

RWANDA'S NEEDS WOULD DEPEND ON THE NEW GOVERNMENT'S SUCCESS IN FOSTERING NATIONAL RECONCILIATION AND ADDRESSING HUMAN RIGHTS ABUSES. HE STRESSED THE NEED TO BROADEN THE BASE OF THE GOVERNMENT. THE FINANCE MINISTER STRUCK A MODERATE TONE THROUGHOUT THE CONVERSATION. HE ADMITTED THERE HAD BEEN "DEPLORABLE" HUMAN RIGHTS INCIDENTS, RESULTING MOSTLY FROM PERSONAL DISPUTES BETWEEN RETURNING HUTUS AND THE TUTSIS (USUALLY RETURNING REFUGEES THEMSELVES) WHO OCCUPIED THEIR PROPERTY. HIS GOVERNMENT IS ADAMANT THAT THOSE WHO "DIRECTED" THE GENOCIDE BE BROUGHT TO JUSTICE, BUT THE MINISTER ACKNOWLEDGED MANY "GREY AREAS" OF PEOPLE FORCED TO PARTICIPATE IN THE KILLINGS. RUGENERA SAID THE NEW GOVERNMENT IS PREPARED TO WORK WITH ALL POLITICAL PARTIES, EXCEPT THE OUSTED FORMER

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RULING PARTY. HE INDICATED SOME FUTURE ADJUSTMENTS IN THE COMPOSITION OF THE CABINET WERE LIKELY. HOWEVER, HE SEES INTEGRATION OF THE EX-FAR INTO THE ARMY AS A LONG-TERM OBJECTIVE, SAYING THE NEW GOVERNMENT CAN'T AFFORD TO CREATE A "FIFTH COLUMN" WITHIN ITS OWN DEFENSE FORCES.
END SUMMARY.

4. RWANDAN FINANCE MINISTER MARC RUGENERA CALLED ON A/S MOOSE FOR NEARLY 90 MINUTES ON THE MORNING OF SEPTEMBER 1. RUGENERA HAD MET THE PREVIOUS DAY WITH IMF AND IBRD REPRESENTATIVES AND LATER ALSO MET WITH AID DEPUTY ASSISTANT ADMINISTRATOR GARY BOMBARDIER. RWANDAN CHARGE KARANI ACCOMPANIED THE MINISTER; DAS BUSHNELL AND TWO AF/C NOTETAKERS ALSO SAT IN.

POLITICAL CONDITIONS ARE IMPROVING,
BUT RWANDANS NEED HELP TO REBUILD ECONOMY

5. CONDITIONS IN RWANDA ARE IMPROVING "LITTLE BY LITTLE," RUGENERA SAID. RWANDANS "WANT TO GET BACK TO WORK" TO REBUILD THEIR COUNTRY, BUT THE ECONOMIC RECOVERY WILL BE SLOW. HE DESCRIBED A "VICIOUS CIRCLE" IN WHICH SECURITY CONCERNS AND ECONOMIC DEVASTATION KEPT REFUGEES FROM RETURNING TO RWANDA, AND THEREBY DEPRIVED THE COUNTRY OF THE PRODUCTIVE LABOR FORCE NEEDED TO REBUILD THE ECONOMY.

6. RUGENERA EXPRESSED HIS THANKS FOR THE U.S. AND INTERNATIONAL RESPONSE TO THE HUMANITARIAN DISASTER, BUT HE IS UNDER NO ILLUSION THAT INTERNATIONAL HUMANITARIAN

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ASSISTANCE CAN CONTINUE INDEFINITELY. INSTEAD, THE NEW
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GOVERNMENT NEEDS "SUPPORT FOR THE PEOPLE TO WORK FOR
THEMSELVES."

7. THE GOVERNMENT ALSO FACES URGENT NEEDS FOR IMPORTED
EQUIPMENT, SPARE PARTS, AND BASIC SUPPLIES. ITS MEANS
"ARE NON-EXISTENT," RUGENERA SAID, SINCE THE OUSTED REGIME
LOOTED THE TREASURY BEFORE LEAVING. THE NEW GOVERNMENT
LACKS FUNDING FOR ESSENTIAL GOVERNMENT FUNCTIONS, SUCH AS
ADMINISTRATION OF JUSTICE. CONSEQUENTLY, IT HAS BEEN
FORCED TO RELY ON THE ARMY FOR ARREST AND DETENTION OF
SUSPECTED CRIMINALS. HE MADE AN OPEN APPEAL FOR U.S.
ASSISTANCE "TO RESTART THE RWANDAN ECONOMY" SO THAT
RWANDANS "CAN THEMSELVES PROGRESS."

8. A/S MOOSE REPLIED THAT HE UNDERSTOOD THE MINISTER'S
DEMARCHÉ. WE TOO ARE CONCERNED THAT THE "VICIOUS CIRCLE"
RUGENERA DESCRIBED MAY IMPEDE ECONOMIC RECOVERY IN
RWANDA. MOOSE URGED THAT THE MINISTER WORK CLOSELY WITH
THE IMF AND IBRD TO DETERMINE ASSISTANCE NEEDS. HE ADDED
THAT AID ASSISTANT ADMINISTRATOR HICKS WILL SHORTLY BE
RETURNING FROM CENTRAL AFRICA. MOOSE SAID HE WOULD MEET
WITH HICKS WHEN HE GETS BACK "TO BEGIN TO DEFINE ACTIONS
WE CAN TAKE."

HUMAN RIGHTS: INCIDENTS OF REPRISAL
MUST BE SEEN IN LOCAL CONTEXT

9. TURNING TO ISSUES OF HUMAN RIGHTS, MOOSE EXPRESSED
CONCERN OVER REPORTED REPRISALS AGAINST HUTUS. "WE MUST
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INSIST THAT THE GOVERNMENT DO WHAT IT CAN TO CONTROL THESE
INCIDENTS."

10. RUGENERA READILY ACKNOWLEDGED THAT THERE HAD BEEN
"DEPLORABLE INCIDENTS," BUT SAID THEY MUST BE UNDERSTOOD
IN LOCAL CONTEXT. MANY OF THE INCIDENTS STEMMED
INDIRECTLY FROM THE EXODUS OF TUTSIS TO BURUNDI IN 1959
AND 1973. FOLLOWING THE RPF VICTORY AND HUTU FLIGHT, THIS
TUTSI DIASPORA RETURNED TO SOUTHEASTERN RWANDA AND SEIZED
THE VACATED PROPERTY OF THE HUTUS. VIOLENT CONFLICTS HAVE

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OCCURRED WHEN THE HUTUS HAVE RETURNED TO REOCCUPY THEIR PROPERTY IN SOME CASES, THOSE INVOLVED IN PROPERTY DISPUTES HAVE FALSELY ACCUSED THEIR RIVALS OF ATROCITIES.

NATIONAL RECONCILIATION: NEW GOVERNMENT WANTS TO BROADEN ITS BASE TO INCLUDE OTHER POLITICAL PARTIES

11. ASKED BY A/S MOOSE FOR AN ASSESSMENT OF PROGRESS TOWARD NATIONAL RECONCILIATION, RUGENERA AGREED THAT THIS WAS A PRIORITY. WHILE THOSE WHO "DIRECTED THE MASSACRES" MUST BE PUNISHED, THE NEW GOVERNMENT RECOGNIZES THAT THERE

IS A LARGE "GREY AREA" OF PEOPLE WHO WERE FORCED TO PARTICIPATE IN THE KILLINGS. WE MUST NOT "DEMONIZE" ENTIRE GROUPS, THE MINISTER SAID, BUT FOCUS ON THOSE INDIVIDUALS RESPONSIBLE FOR THE GENOCIDE.

12. THE NEW GOVERNMENT IS EAGER TO BROADEN ITS BASE TO INCLUDE OTHER POLITICAL PARTIES, RUGENERA SAID. EVEN MEMBERS OF THE FORMER RULING PARTY, THE MRND, WOULD BE

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WELCOME TO PARTICIPATE, AS LONG AS THEY WERE NOT AMONG THOSE INDIVIDUALS WHO DIRECTED THE KILLINGS. BUT THE NEW GOVERNMENT WOULD PROBABLY NOT PERMIT THE RECONSTITUTION OF THE MRND ITSELF, SINCE POLITICAL FORCES IN THE COUNTRY COULD NOT BE EXPECTED TO WORK WITH THE PARTY RESPONSIBLE FOR THE MASSACRES.

13. A/S MOOSE EMPHASIZED THE NEED TO BROADEN THE BASE OF THE NEW GOVERNMENT. IN RESPONSE, RUGENERA INDICATED THAT SOME FUTURE ADJUSTMENTS IN THE GOVERNMENT'S COMPOSITION WERE LIKELY. HE SAID THE GOVERNMENT WOULD HAVE LIKED TO INCLUDE OTHER TENDENCIES IN ITS FIRST CABINET, BUT HAD TO FILL AN IMMEDIATE "INSTITUTIONAL VACUUM" WHEN IT TOOK POWER AND COULD NOT WAIT FOR OTHER PARTY LEADERS TO RETURN TO KIGALI.

RE-INTEGRATION OF EX-FAR IS MORE PROBLEMATIC

14. THE NEW GOVERNMENT IS MORE HESITANT TO COOPERATE WITH THE FORMER REGIME'S ARMED FORCES. THERE ARE DIVISIONS WITHIN THE EX-FAR, RUGENERA SAID. SOME SOLDIERS HAVE ASKED TO JOIN THE NEW GOVERNMENT'S ARMY, BUT OTHERS "ARE PREPARING TO ATTACK" FROM ZAIRE.

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15. RUGENERA FAVORS CREATING AN INTEGRATED, PROFESSIONAL ARMY, BUT ADMITS THAT THE NEW GOVERNMENT HAS NOT YET TAKEN "A DEFINITIVE DECISION" ON THE MATTER. FOR BUDGETARY REASONS, HE THINKS THE SIZE OF THE ARMY SHOULD BE REDUCED. HE IS ALSO TROUBLED THAT THE NEW GOVERNMENT'S ARMED FORCES REMAIN UNDER THE CONTROL OF THE RPF, AND

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HENCE ARE A "PARTISAN FORCE."

16. IT WILL TAKE TIME TO ESTABLISH A WELL-DISCIPLINED, APOLITICAL MILITARY FORCE, RUGENERA SAID. THE GOVERNMENT WILL MOVE SLOWLY ON THE QUESTION OF INTEGRATING EX-FAR SOLDIERS FACING A POSSIBLE ATTACK FROM ZAIRE, THE NEW GOVERNMENT CAN'T RISK "A FIFTH COLUMN" WITHIN ITS ARMED FORCES, HE EXPLAINED.

17. A/S MOOSE EMPHASIZED THE IMPORTANCE OF WORKING WITH THE ZAIRIAN GOVERNMENT TO IMPROVE SECURITY IN THE REFUGEE CAMPS. ONGOING TALKS WITH THE GOZ ARE "CRITICAL," HE TOLD RUGENERA, AND URGED HIS GOVERNMENT TO BE "FLEXIBLE."

NEW GOVERNMENT SEEKS ASSISTANCE FROM IMF/IBRD

18. RETURNING TO HIS MAIN THEME -- THE NEED FOR ECONOMIC ASSISTANCE -- MINISTER RUGENERA OUTLINED THE ENORMOUS TASKS FACING THE NEW GOVERNMENT AS IT TRIES TO REBUILD ITS ECONOMY. "WE MUST START PRACTICALLY FROM ZERO," HE SAID. WITHIN HIS OWN MINISTRY, HE MUST REESTABLISH SYSTEMS OF TAXATION, CUSTOMS COLLECTION, AND PUBLIC ACCOUNTANCY. A TEAM OF IMF/IBRD EXPERTS PLANS TO TRAVEL TO RWANDA SHORTLY TO ASSESS THE COUNTRY'S ASSISTANCE NEEDS.

19. IMF/IBRD ASSISTANCE MAY BE IMPEDED, HOWEVER, BECAUSE THE NEW GOVERNMENT IS IN ARREARS TO THE IFIS FOR A TOTAL OF USD 4,500,000. WHILE THIS IS "NOT A LARGE AMOUNT," RUGENERA SAID, IT IS A PROBLEM SINCE THE NEW GOVERNMENT "HAS NOTHING." THE IFIS HAVE URGED THAT THE GOR FIND A

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BILATERAL DONOR WILLING TO COVER THE AMOUNT OF ARREARS IN ORDER TO PERMIT RENEWED IFI LENDING.

20. THE IBRD IS CONSIDERING A USD 20 MILLION "SPECIAL EMERGENCY ASSISTANCE GRANT" TO RWANDA. HOWEVER, RUGENERA

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CHARACTERIZED THIS PACKAGE AS ADDITIONAL HUMANITARIAN AID, NOT THE BUDGET SUPPORT THE GOR URGENTLY NEEDS. THE IMMEDIATE PRIORITY, HE SAID, IS MONEY TO PAY CIVIL SERVICE SALARIES AND TO REBUILD ESSENTIAL INFRASTRUCTURE, INCLUDING POWER, WATER, AND COMMUNICATIONS SERVICES.

21. A/S MOOSE URGED THE MINISTER TO WORK WITH THE IFIS AND FOREIGN BANKING AUTHORITIES TO TRY TO RECOVER MONEY IN ACCOUNTS HELD BY THE FORMER GOVERNMENT. RUGENERA SAID THAT HIS MINISTRY HAS BEEN WORKING TO RECONSTITUTE FILES SHOWING THE FORMER GOVERNMENT'S FINANCES AND THE LOCATION OF ITS OVERSEAS ACCOUNTS. HE HAS DISCUSSED RECOVERY OF ACCOUNTS IN FRANCE WITH THE FRENCH MINISTRY OF COOPERATION.

MOOSE, BUSHNELL STRESS THAT U.S. AID TO RWANDA DEPENDS ON PROGRESS IN RECONCILIATION, RESPECT FOR HUMAN RIGHTS

22. A/S MOOSE AND DAS BUSHNELL STRESSED THROUGHOUT THE MEETING THAT THE U.S. ABILITY TO RESPOND TO RWANDAN AID REQUESTS WOULD DEPEND ON THE NEW GOVERNMENT'S SUCCESS IN FOSTERING NATIONAL RECONCILIATION, CREATING CONDITIONS FOR THE RETURN OF REFUGEES, AND REDRESSING HUMAN RIGHTS ABUSES. "WE HAVE TO BE ASSURED THAT THE NEW GOVERNMENT IS PROCEEDING WITH NATIONAL RECONCILIATION," MOOSE SAID.

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THIS ISSUE "IS KEY TO OUR ABILITY TO JUSTIFY AID TO THE NEW GOVERNMENT."

23. DAS BUSHNELL UNDERLINED THAT THE NEW GOVERNMENT MUST NOT SQUANDER THIS OPPORTUNITY. THE INTERNATIONAL COMMUNITY RESPONDED QUICKLY TO THE HUMANITARIAN DISASTER, BUT LONG-TERM ASSISTANCE MAY BE DIFFICULT TO OBTAIN. THE DONOR COMMUNITY WILL BE EVALUATING THE PERFORMANCE OF THE GOR TO DETERMINE WHETHER THIS IS A GOVERNMENT THAT MERITS "OUR INVESTMENT AND SUPPORT." SHE SUMMARIZED THAT WE WANT TO SEE AN ENLARGED BASE OF SUPPORT FOR THE GOVERNMENT, NO MORE REPORTS OF HUMAN RIGHTS ABUSE, AND THE RETURN OF REFUGEES TO THEIR HOMES.

29. THE MINISTER SAID HE UNDERSTOOD OUR MESSAGE. THE NEW GOVERNMENT IS TRYING TO MANAGE THIS -DELICATE SITUATION" WITH SENSITIVITY AND INTELLIGENCE. FOR EXAMPLE, THE GOR DECIDED NOT TO SEND MILITARY FORCES INTO THE SAFE ZONE WHEN THE FRENCH DEPARTED, PRECISELY BECAUSE SUCH A MOVE MIGHT HAVE SPARKED A RENEWED EXODUS OF REFUGEES. HE

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COMPLAINED THAT MILITIAS IN THE ZAIRIAN CAMPS ARE ACTIVELY PREVENTING PEOPLE FROM RETURNING TO RWANDA. HIS GOVERNMENT IS ENCOURAGING TRAVEL BETWEEN THE CAMPS, THE SAFE ZONE, AND THE REST OF RWANDA TO REASSURE REFUGEES AND DISPLACED PERSONS THAT IT IS SAFE TO GO HOME.

BIO NOTE

25. RUGENERA SAID THAT, AFTER COMPLETING HIS SCHOOLING, HE HEADED THE LOAN DEPARTMENT OF THE RWANDAN DEVELOPMENT

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BANK FOR EIGHT YEARS. HE THEN WORKED AT A PRIVATE BANKING FIRM FOR FIVE YEARS BEFORE BEING NAMED FINANCE MINISTER IN THE FIRST TRANSITIONAL GOVERNMENT. HE FLED AFTER THE APRIL 6 AIRPLANE CRASH, BUT RETURNED TO KIGALI IN LATE JULY AND WAS REAPPOINTED TO THE FINANCE PORTFOLIO. HE IS A MEMBER OF THE SOCIAL DEMOCRATIC PARTY. CHRISTOPHER

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